

Demand notification: the starting point of every needs-based procurement process

A demand notification is the formal notification of a material or immaterial requirement by an internal functional department to procurement. It marks the starting point of the procurement process and, after review, triggers further steps such as enquiry, purchase order and order release. Without clean demand notifications, there is no data basis for materials planning, budget control and supplier management.

Key facts

- The demand notification documents who requires what, in what quantity and by what date.
- It can be created manually, via ERP systems or automatically from demand planning.
- In practice, a distinction is made between primary demand (customer-driven), secondary demand (derived from bills of materials) and tertiary demand (consumables).
- The quality and date reliability of demand notifications directly affect inventory levels, delivery capability and purchasing terms.
- Typical downstream processes are demand consolidation, enquiry, quotation comparison and order placement.
- Digital demand notifications reduce media discontinuities and significantly improve data quality for forecasting.

Definition: demand notification

The demand notification is the structured communication of a future requirement for materials, services or capacities from the department with the requirement to procurement or materials planning. As a minimum, it contains item identification, quantity, required date and, where applicable, the purpose and cost centre.

Distinction from the demand request

In the terminology of many ERP systems, demand notification and demand request are identical; strictly speaking, the demand notification is the transfer of information, while the demand request is the derived, already reviewed document. In practice, the term is used with varying degrees of rigour depending on company size.

- Demand notification: raw notification from the functional department, often unstructured
- Demand request: reviewed, classified, with line items and budget reference
- Demand planning: aggregated, forecast-based view across all sources

Types of demand notifications

A distinction is made by origin and degree of planning. Production demand results from bills of materials and manufacturing orders, retail or spare parts demand from forecasts and customer enquiries, and consumables demand from reorder points.

- Primary demand: customer- or market-driven, e.g. manufacturing orders
- Secondary demand: derived demand from bill-of-materials explosion
- Tertiary demand: operating and auxiliary supplies, usually reported via minimum stock levels
- Ad hoc demand: one-off projects, replacement purchases, maintenance

Methods and approach for demand notifications

In practice, the path from demand origination to order placement usually follows a standardised sequence. The better this sequence is defined, the fewer subsequent corrections and rush orders arise.

Manual notification within the functional department

Smaller organisations report requirements via forms, email or by telephone. This is quick, but frequently leads to incomplete information, deviating item descriptions and later queries. A minimum standard of mandatory fields and approval levels prevents most subsequent problems.

- Mandatory fields: item number or free text, quantity, unit of measure, required date
- Approval by line manager or budget owner
- Check against existing framework agreements

System-supported notification via ERP and PPS

In ERP or PPS systems, demand arises predominantly automatically: from customer orders, manufacturing orders or materials planning. The functional department only adds ad hoc and project requirements. This requires clean supplier master data and material master data maintenance, otherwise incorrect orders follow.

- Automatic planning via lot sizes, replenishment lead times and safety stock
- Approval workflow with budget control before order release
- Feedback to the requesting department in case of date or quantity deviations

Consolidation and demand review

Procurement consolidates individual notifications into meaningful enquiry quantities, checks coverage from stock or framework agreements and decides on the sourcing route. Strategic instruments also apply here, such as an outsourcing potential analysis or tender management for larger volumes.

- Check consolidated demand against framework agreements and call-offs
- Include make-or-buy criteria and the capacity situation
- Coordinate delivery dates with production planning

Key KPIs for demand notifications

The quality of demand notifications is measurable and should be evaluated regularly. Relevant KPIs concern data quality, date adherence and the procurement performance derived from them.

Quality and process KPIs

Commonly measured are the proportion of fully reported requirements, the number of subsequent changes and the lead time from notification to order. High change rates indicate unclear responsibilities or missing master data.

- Notification quality: proportion of requirements without queries, typically > 90%

- Lead time from notification to order release, often only a few days
- Change rate after release, in practice targeted below 10%

Impact on procurement and logistics KPIs

Inaccurate demand notifications indirectly distort delivery readiness, inventory coverage and the delivery time variability of suppliers. Because planning data is derived from the notifications, every KPI evaluation in procurement should also consider the quality of incoming data.

- On-time delivery and order confirmation dates as lagging indicators
- Inventory development as a measure of over- or under-supply
- Proportion of rush procurements with additional costs as an indicator of quality violations

Risks and controls for demand notifications

The most common risks arise from poor data quality, missing approvals and unclear responsibilities. Effective controls combine system rules, clear roles and regular evaluations.

Data quality and master data

Incorrect or duplicate material master records lead to duplicate purchasing and shortages. Systematic data cleansing and clearly defined responsibilities, for example through a data steward, safeguard the quality of master data and thus of the demand notifications based on it.

- Regular duplicate checks and item cataloguing
- Binding naming conventions for free-text requirements
- Archiving instead of deleting old demand line items

Compliance and internal control

Every demand notification should have a documented release by the budget owner. This protects against unauthorised purchasing, verbal commitments and later disputes over purchasing terms. Important contracts and supplier framework terms must be recorded in a binding manner.

- Four-eyes principle for release and order creation
- Separation of requester and buyer
- Documentation obligation for changes to dates and quantities

Coordination with suppliers and contracts

Demand peaks and date changes have a direct impact on suppliers. Framework agreements with clear delivery and warranty provisions, such as limitation of liability or a quality agreement, must match the reported requirements. In the event of delivery failures, structured claims management including a notice of defect helps.

- Communicate forecasts and call-off information to suppliers
- Risk assessment per supplier location risk and sourcing strategy
- Define escalation paths for repeated incorrect notifications

Current developments: automation, resilience and data culture

Demand notifications are evolving from administrative forms into data-driven signals. Digitalisation, resilience thinking and better planning models are noticeably changing the process and its

requirements.

Automation and AI-supported demand recognition

Machine learning approaches and modern planning systems increasingly recognise demand patterns themselves and suggest order proposals. Free-text notifications can be mapped to catalogue items using classifiers. This reduces manual effort, but requires clean historical data and human review of critical items.

- Automatic demand proposals with mandatory approval
- Catalogue-based procurement for C items
- Integration with supplier portals and electronic catalogues

Resilience and flexible procurement strategies

Supply chain disruptions in recent years have shown that demand information must be shared more quickly and more extensively. Approaches such as supply chain resilience management, nearshoring or onshoring change delivery times and replenishment lead times – and thus the planning logic behind every demand notification. Capacity checks such as Capable to Promise (CTP) also rely on reliable demand data.

- Rolling demand updates instead of annual one-off planning
- Risk assessment in demand classification, e.g. critical long-lead components
- Early communication of demand to strategic suppliers

Role in the overall procurement network

The demand notification is an input for many downstream topics: from the enquiry through tender management to Intrastat reporting and customs clearance for cross-border procurement. Improving quality at source makes all subsequent processes easier.

- Uniform item data facilitates foreign trade and customs clearance
- Clean demand data improves quotations and comparability
- Link to supplier master data and creditor master data for smooth processing

Typical metrics

Notification quality: > 90%

Proportion of demand notifications without queries or rework

Change rate after release: < 10%

Proportion of items changed subsequently; low values indicate reliable planning

Lead time from notification to order: 2–5 working days

Usual guideline for standard requirements; shorter for rush processes

Proportion of rush procurements: < 5%

A high volume indicates weak demand planning

Practical example

A mid-sized mechanical engineering company with around 300 employees faced high rush procurement costs and frequent shortages. Analysis revealed that more than half of all demand notifications were incomplete and were subsequently changed. The company therefore introduced a standardised

notification format with mandatory fields, linked framework agreements directly in the ERP system and defined a clear approval level for order values above EUR 5,000. Within a few months, the change rate fell significantly and suppliers were able to plan with greater certainty.

- Mandatory-field format for all demand notifications, including required date and cost centre
- Automatic check against existing framework agreements before creating an enquiry
- Monthly quality reporting on notification data to the functional departments
- Escalation process for demand changes affecting dates or quantities after release

Conclusion

The demand notification may seem like a small detail of the procurement process, but it has a major impact on inventory levels, delivery capability and purchasing costs. Its quality determines whether downstream steps such as enquiry, purchase order and order release run efficiently. Companies should therefore define format, approval rules and responsibilities in a binding manner and regularly measure the quality of notification data. Digital tools support this, but do not replace clear processes and disciplined participants. Anyone who starts here improves almost all downstream procurement processes.

Frequently asked questions

What is a demand notification?

A demand notification is the formal notification of required materials, services or capacity from a functional department to procurement or materials planning. It typically contains the item, quantity, required date and cost centre. It is the first step of the procurement process and triggers review, enquiry and order placement.

Who creates a demand notification?

It is created by the department with the requirement: production, engineering, maintenance, IT or other functional departments. In ERP systems, part of the demand is also generated automatically from manufacturing orders or planning logic. The manager or budget owner with approval authority reviews and releases the notification.

What should a demand notification contain?

The essential contents are the item number or a precise description, quantity with unit of measure, required date, cost centre or project number, and where applicable technical specifications and preferred suppliers. For ad hoc requirements, approval notes and a justification are also useful. Complete information significantly reduces queries and subsequent changes.

What role does the demand notification play in materials management?

It provides the input data for materials planning, inventory planning and procurement. Primary, secondary and tertiary demand are derived from demand notifications and reconciled against stock levels, framework agreements and replenishment lead times. Faulty notifications lead to excess stock, shortages and increased rush procurement costs.

What is the difference between a demand notification and a purchase requisition?

A demand notification is the original communication from the functional department regarding a requirement. The purchase requisition is the formal document derived from it in the ERP system, which

has been reviewed, classified and released. In many companies the two terms are used synonymously; strictly speaking, the purchase requisition is one process step further along.